

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 OES-07 ACDA-07 CIAE-00 INR-07 IO-13
L-03 NSAE-00 NSC-05 EB-08 NRC-05 FEAE-00 DODE-00
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C O N F I D E N T I A L VIENNA 8223

USIAEA

DEPT PASS IO/SCT, ACDA, NRC, OES

E.O. 11652: GDS
TAGS: ENRG, PARM, TECH, IAEA
SUBJECT: LONDON SUPPLIERS GROUP: STATE SYSTEMS OF ACCOUNTING

AND CONTROL (SSAG)

REF: A) STATE 216997, B) VIENNA 6337, C) IAEA VIENNNA 2166

SUMMARY: MISSION RECOMMENDS USDEL TO SEPT 20-21
MEETING OF LONDON SUPPLIERS GROUP, IN CONTEXT OF
ATTEMPTS TO PROCEED TO FINALIZE AGREEMENT ON ITEMS
OTHER THAN FULL SCOPE SAFEGUARDS, RAISE IN GENERAL
WASY PROPOSAL WHICH WOULD OPEN WAS FOR ELABORATION
OF PARA 12 OF GUIDELINES--QUOTE SUPPORT FOR EFFECTIVE
IAEA SAFEGURADS UNQUOTE--SO AS TO ADDRESS NEED
FOR IMPROVED STATES SYSTEMS OF ACCOUNTING AND CONTROL.
END SUMMARY.

1. MISSION HAS READ CONTENTS REF A WITH INTEREST,
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NOTING IN PARTICULAR U.S. HOPE FOR AS MUCH PROGRESS
AS POSSIBLE ON AGENDA ITEMS OTHER THAN THAT CONCERNING
FULL-SCOPE SAFEGUARDS , AND PROBABILITY THAT THERE WILL
BE AT LEAST ONE MORE MEETING OF THE GROUP LATER THIS
YEAR. IN THIS CONNECTION WHILE NOT AWARE OF COMPLETE
AGENCDA FOR THIS MEETING, WE INFER FROM PARA 7, REF A,

THAT QUOTE SUPPORT FOR THE IAEA UNQUOTE WILL BE ON THE
AGENCDA NEXT WEEK.

2. AS DEPT WILL RECALL MISSION RECOMMENDED LAST MARCH
(REF C) THAT U.S. INFORMALLY EXPLORE, WITH OTHER SUPPLIERS,
POSSIBILITY OF JOINT SUPPORT OF AGENCY'S EFFORTS TO
CORRECT A BASIC WEAKNESS IN IAEA SAFEGUARDS IMPEMENTATION
SYSTEM, THAT IS, THE ABSENCE OF STANDARDS IN THE STRUCTURE
AND QUALITY OF SSACS IN STATES IN WHICH IAEA SAFEGUARDS
ARE BEING IMPLEMENTED. WE ENVISAGED POSSBIILITY THAT

WITH SUPPORT FROM KEY SUPPLIERS, AGENCY MIGHT BE
ENCOURAGED TO DEVELOP AND PIBLISH GUIDELINES ON THIS
MATTER WHICH, IN TURN MIGHT BE USED INTER ALIA AS
BASIS FOR ELABORATION OF ARTICLE 12 OF SUPPLIER
GUIDELINES IN SAME MANNER AS INFCIRC 225 WAS A USEFULL
BASIS FOR ELABORATION OF ARTICLE 11 ON PHYSICAL PROTECTION.
MISSION BELIEVES THAT WITH SOME OF THE GUIDELINES
STILL IN PROCESS OF FINAL DEVELOPEMENT, OPPORTUNITY
SHOULD NOT BE LOST TO PURSUE THIS CHANCE TO ADDRESS A
BASIC SAFEGUARDS PROBLEM FOR WHICH IAEA BADLY NEEDS
HELP.

3. EVENTS SINCE OUR RECOMMENDATIONS REF C, HOWEVER,
SUGGEST NEED FOR A DEGREE OF CAUTION IN OUR APPROACH.
AS REPORTED REF B, DEFICIENCIES IN A LARGE NUMBER OF
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SSAGCS OCCUPIED A MAJOR PORTION OF THE SPECIAL SAFEGUARDS
IMPLEMENTATION REPORT (SSIR), WHICH WAS CONSIDERED BY

JUNE MEETING OF BOARD OF GEOVERNORS AND WHICH IS NOW
BEING ADDRESSED BY SPECIAL ADVISORY GROUP ON SAFEGUARDS
IMPLEMENTATION (SAGSI), AT JUNE BOARD MEETING,
USSR USED SSIR AS CLUB TO BELABOR EURATOM FOR DELAY IN

AGREEING TO IMPLEMENTATION OF EFFECTIVE SAFEGUARDS
PURSUANT TO ITS SAFEGUARDS AGREEMENT WITH IAEA, AND
WE HAVE BEEN INFORMED BY THM THEY WILL DO SO AGAIN AT
SEPTEMBER MEETING OF BG AND AT GENERAL CONFERENCE.
FOR THIS AND OTHER REASONS EURATOM STATES-IN PARTICULAR
FRG-HAVE BECOME HIGHLY SENSITIVE TO SSIR EXERCISE
DEALING AS IT DOES IN PUBLIC WASY WITH ALL PROBLEMS OF
SAFEGUARDS IMPLEMENTATION, INCLUDING SSACS.

4. REF B ALSO SET OUR A POSSIBLE SCENARIO WHICH WOULD
LEAD TO AGENCY PUBLICATON OF ITS RECOMMENDATIONS ON
ELEMENTS OF AN SSAC. SECRETARIAT HOPES TO HAVE WORKING
PAPER ON SUBJECT IN FINAL DRAFT FORM BY END OF YEAR.
HOWEVER, TIMING OF ITS CONSIDERATION BY A HIGHER-LEVEL

BODY, SUCH AS SAGSI, WHICH COULD THEN LEAD TO
PUBLICATION OF AGENCY RECOMMENDATION IS NOT YET CLEAR.

5. IN VIEW OF SENSITIVITIES ALLUDED TO IN PARA 3
ABOVE, WE SUGGEST THAT US DEL TO SEPT 20-21 LONDON
MEETING EXPLORE PRIVATELY WITH UK ADVISABILITY OF OUR
SUGGESTING AT MEETING ADDITIONAL CLAUSE TO ARTICLE 12 WHICH WOULD
MAKE THE ARTICLE READ AS FOLLOWS: QUOTE SUPPLIERS
SHOULD MAKE SPECIAL EFFORTS IN SUPPORT OF THE
CONTINUING EFFECTIVENESS OF IAEA SAFEGUARDS, INCLUDING
SUPPORT FOR THE DIRECTOR GENERAL'S EFFORTS TO PROVIDE
GUIDANCE TO MEMBER STATES ON THE IMPROVEMENT OF THEIR
NATIONAL SYSTEMS OF ACCOUNTING AND CONTROL OF NUCLEAR
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MATERIAL. UNQUOTE. SHOULD BRITISH INDICATE THAT THIS
WOULD BE MORE THAN SENSITIVITIES OF SAME EURATOM
STATES MIGHT BEAR, OR IF SUCH PROPOSAL WOULD RISK
PROVOKING UNPRODUCTIVE AND DIVISIVE BATTLE AT EURATOM
BY MOROKKOV, THE LEAST WE SHOULD DO IS TO PROPOSE AT
THIS MEETING THAT WAY BE LEFT OPEN FOR FUTURE
ELABORATION OF ARTICLE 212. POSSIBILITY EXISTS THAT
BY NOVEMBER, EURATOM/IAEA DIFFICULTIES WILL HAVE BEEN
RESOLVED. BY THAT TIME, ALSO AGENCY MAY HAVE PRODUCED
A WORKING PAPER AND FUTURE COURSE OF AGENCY ACTION MAY
HAVE BECOME CLEARER. STONE

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